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## Interim Committees Continue to Meet

### Expanded Natural Resources

The Expanded Natural Resources Interim Committee held its most recent meeting in Boise on November 29, 2004. During that meeting, Director Karl Dreher, Idaho Department of Water Resources, updated the committee about the Idaho Water Resource Board's announcement relating to the Snake River Basin Water Rights Acquisition Program. The program's objective is to purchase water rights in the Snake River Basin above Hells Canyon to be used for various public water project purposes, including facilitating the provision of water to the U. S. Bureau of Reclamation to augment lower Snake River flows during the migration of Snake River salmon. The Idaho Water Resource Board is soliciting offers of sale from qualified water right holders who are willing to sell their Snake River or tributary water right, or a portion thereof. The program in no way commits the Idaho Water Resource Board to purchase any water right, but is being conducted at this time for the purpose of evaluating the feasibility of purchasing sufficient water rights to supply 220,000 to 280,000 acre-feet of water annually. In conjunction with Director Dreher's presentation, Rick Skinner, bond counsel for the Idaho Water Resource Board, addressed the committee regarding bonding issues relating to the potential purchase of the water rights.

The parties continue to conduct negotiations which began with the conceptual settlement framework for the Eastern Snake Plain Aquifer as addressed in the November newsletter. The framework, also known as the strawman proposal, is designed to effectuate a net change of 600,000 to 900,000 acre-feet annually in the Eastern Snake Plain Aquifer water budget through implementation of water supply, water management, and water demand reduction measures. The conceptual settlement framework, in part, proposes target goals for each category of measures, an implementation plan with check-in dates to ensure satisfactory progress is being made toward achieving the target goals and, if not, a mandatory process for requiring changes to the framework to achieve the 600,000 to 900,000 acre-foot annual change in the ESPA water budget. A copy of the proposal is posted on the IDWR Web site, the address of which is noted below. In addition, a strawman funding proposal was presented by the Director during the ESPA working group's December 8 meeting in Boise. The funding proposal may also be found on IDWR's Web site.

Final reports and recommendations of the various working groups were also presented at the November 29 meeting. The reports and recommendations of the North Idaho, Treasure Valley, Mountain Home and Bear River working groups are available for review on the IDWR Web site.

The committee is not scheduled to meet again at this time, although it is expected that the ESPA working group will meet on a yet-to-be determined date in December.

**Additional committee information and scheduled meeting dates are on the Legislature's Web site:**  
[Expanded Natural Resources Interim Committee](http://www.idwr.state.id.us/Committee), and on the Idaho Department of Water Resources Web site at [www.idwr.state.id.us/Committee](http://www.idwr.state.id.us/Committee).

*Staff Contact: Katharine Gerrity*

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# State Budget Outlook for the 2005 Legislative Session

## FY 2005 Current Year Budget

Through November in the current fiscal year revenue collections are ahead of the Division of Financial Management's revised forecast by approximately \$29.4 million. That revenue estimate is based a 6.2 percent growth, so it is very encouraging to be exceeding that fairly robust estimate. This puts the estimated year-end balance for FY 2005 at about \$112.6 million. This year-end balance is not to be construed as a "surplus," since this estimated year-end balance will be needed to help offset the impact of the sales tax sunset in FY 2006, estimated at about \$180 million.

Fiscal Year 2005		
<u>Revenues:</u>	<u>Sine Die Est.</u>	<u>Current Est.</u>
Beginning balance	\$72,509,000	\$100,244,100
Baseline revenue estimate @ 5.4%	1,912,811,700	
Revised estimate @ 6.2%		1,945,919,000
July through Nov. revenues above proj.		29,400,000
Sales Tax increase	177,710,000	178,871,000
To Budget Stabilization Fund	(20,731,400)	(20,971,000)
All other transfers & adjustments	(5,631,200)	(500,000)
Transfers for deficiency warrants		(6,400,000)
Total revenues	\$ 2,136,668,100	\$ 2,226,562,200
<u>Expenditures:</u>		
General Fund Appropriation (4.5% increase)	\$2,082,138,300	\$2,082,138,300
Carryover appropriations		1,820,700
One-time salary increase (1.0%)		5,001,000
Estimated supplemental appropriations		25,000,000
Total Expenditures		\$2,113,960,000
Estimated Ending balance	\$54,529,800	\$112,602,200

## FY 2006 Outlook

FY 2006 will be the first fiscal year budget the Legislature will set without the two-year temporary sales tax. While there will likely be adequate funds to cover basic "maintenance of current operations" requirements, there will be little more than that. Even reaching that spending level will require some help from one-time cash reserves.

While revenue collections to date are very encouraging, it is important to point out that there is still a structural deficit in our General Fund budget. That structural deficit is diminishing, but still represents the biggest challenge to policymakers putting together the state budget for FY 2006 and beyond. Using broad brush strokes, the structural deficit for FY 2005 is equal to the temporary one-cent sales tax, about \$180 million. For FY 2006 that structural deficit will be equal to the one-time year-end cash reserves that the Legislature chooses to use in support of ongoing programs, likely between \$75 and \$100 million. Looking to FY 2007, depending on revenue performance, that structural deficit could be halved again. The multi-year plan envisioned by the Governor and supported by the Legislature had anticipated that economic growth would backfill the loss of the temporary sales tax dollars. The big question remaining is whether that plan will unfold quickly enough to erase the structural deficit for FY 2007 and FY 2008.

Page 3 lists the agency budget requests for FY 2006. Pull up a chair on JFAC and plug in your own numbers, recognizing that the goal will be to use only the amount absolutely necessary from one-time cash reserves.

## Fiscal Year 2006 General Fund Budget Requests

### APPROPRIATIONS:

**FY 2005 Estimated Expenditures** \$ 2,113,960,000

Removal of one-time expenditures (13,326,900)

**FY 2006 Beginning Base** \$ 2,100,633,100

### MCO Cost Increases:

Personnel benefits (health care, PERSI) 8,598,000

Inflationary increases for operating expenses 4,284,400

Replacement capital outlay 10,718,400

CEC (1% multiplier) 5,148,700

27th pay period (one-time) 15,293,700

Medicaid cost, caseload & utilization increase 29,299,900

Medicaid match rate increase (fund shift) 6,464,300

Public Schools; statutory formula increases 24,361,100

Public Schools; replace endowment reductions 6,613,100

Higher Education enrollment adjustment 3,402,700

Higher Education; replace endowment reductions 1,809,100

Higher Ed; replace student fees for inflationary costs 3,770,100

All other fund shifts to General Fund 2,559,700

All other maintenance of current operations request 8,177,200

Subtotal: "Maintenance of Current Operations" \$ 2,231,133,500

### Program Enhancements:

Public Schools; 3% base salary increase 24,437,500

Public Schools; Technology request 9,000,000

Public Schools; student achievement remediation 5,100,000

Public Schools; experience/education index 4,548,300

Public Schools; discretionary funds 5,625,100

Higher Education; occupancy costs 1,925,700

Higher Ed; enrollment workload adj. (restore 3 yrs.) 1,668,000

Corrections; inmate growth 4,540,800

Health & Welfare; children's mental health 2,033,800

Health & Welfare; child support services 1,054,000

Commerce & Labor; increase Rural Initiative funding 950,000

Commission on Aging; senior services caseload 865,500

Water Resources; Water Center lease 285,800

All other Enhancement Requests 35,659,600

**Grand Total: MCO plus Enhancements** \$ 2,328,827,600

### REVENUES:

Approx. ongoing revenues with a 4% increase 2,054,000,000

Approx. ongoing revenues with a 5% increase 2,073,000,000

Approx. ongoing revenues with a 6% increase 2,093,000,000

Approx. ongoing revenues with a 7% increase 2,113,000,000

Estimated one-time cash reserves \$ 169,000,000

*(\$112 m cash carryover, \$14 m one month sales tax incr,  
\$22 m economic recovery fund, \$21 m budget stabilization fund)*

Staff Contact: Jeff Youtz

## Interim Committee Activities

### Guardianship and Conservatorship

The Guardianship and Conservatorship Interim Committee held a meeting on November 19, 2004, in the Idaho Statehouse. Under the direction of Chairman Senator Davis, members reviewed a list of issues and proposals that have come before the committee during its July, August and October meetings. After discussion, the committee voted to develop a resolution to encourage the establishment of a guardianship pilot project, to include up to three counties in Idaho and to include a number of elements, such as the adoption of standards of practice for guardians and a requirement that guardians be registered.

The committee also voiced support for upcoming legislation drafted by attorney Bob Aldridge, including legislation that would clarify that a guardian ad litem is assigned to a case until released by a judge, to broaden guardian information requirements, and to set forth a more thorough listing of annual report submission requirements.

*Staff Contact: Caralee Lambert*

**Membership of interim committees, meeting minutes and the calendar of scheduled meetings are all available on the Legislature's Web site:**

[Interim Committees and Minutes](#)

[Legislative Calendar](#)

### Public Transportation and Air Quality

The Public Transportation and Air Quality Interim Committee held its third and final meeting on November 30, 2004, at the Statehouse in Boise, to consider draft proposals on a state public transportation policy, a local air quality act, and creation of an interim legislative committee to study transportation infrastructure needs through the year 2050.

Recognizing that the proposal to create a state public transportation policy will provide for statewide coordination while allowing for local control, the committee voted unanimously to recommend the proposal to the Legislative Council.

At the September meeting, Roy Eiguren, legislative counsel to Amalgamated Sugar, had presented a proposal for formation of a Treasure Valley air quality council similar to the council formed in the Big Payette Lake Water Quality Act. The committee approved a motion to develop legislation for a Treasure Valley council, but in addition, to expand applicability of the concept to allow for formation of councils in other areas of the state where the need exists.

With minimal additions to address corridor preservation, right-of-way acquisition and clarification of funding, the committee unanimously endorsed a third draft proposal creating an interim committee to study development of future transportation infrastructure needs through the year 2050, that would accommodate expected growth in the coming decades.

In addition to the three draft proposals, the committee also endorsed, in concept, utilization of 10 percent blended ethanol gasoline for use in automobiles statewide and development and use of alternative fuels within the state.

*Staff Contact: Maureen Ingram*

## Energy

The Committee on Energy met on November 15, 2004. PUC Commissioner Marsha Smith presented information about power plant siting and laws on plant siting in the Western states. Idaho has no such law. Senator Don Burtenshaw presented information about alternative energy facilities in Minnesota, which he saw on a tour sponsored by the Energy Division of the Department of Water Resources. The committee voted to recommend that legislation be introduced to create an independent body to issue bonds to facilitate the construction of transmission facilities for utilities, cooperatives and cities.

Jim Kempton, Pacific Northwest Power and Conservation Council, presented information about the need for legislation to make it easier to modify taxing district boundaries in areas where wind farms are going to be or have been located.

The committee adopted a motion recommending that legislation be introduced which would provide a state sales and use tax exemption for the sale of tangible personal property to be utilized on the construction of alternative energy facilities. The motion did not pass unanimously, as some members felt the income tax credit for capital investment and the production credit that passed and was then vetoed in 2004 were the proper mechanisms to encourage the siting of alternative energy facilities.

Finally, the committee recommended that a concurrent resolution be introduced in the 2005 legislative session to continue the existence of the committee.

*Staff Contact: Mike Nugent*

**The Committee on Energy adopted a motion recommending that legislation be introduced which would provide a state sales and use tax exemption for the sale of tangible personal property to be utilized on the construction of alternative energy facilities.**

## Computer Training for Legislators

This session there will be a new computer training room located in the west side of the basement of the J.R. Williams building. The room is in the same area as the office space used by House majority members, and access to the training room is through the same office suite entrance. The new training room offers much more space, and two additional desks have been added to accommodate a total of twelve students per class. Training classes for legislators will be scheduled daily at 7:00 a.m. and 4:00 p.m. during the first two weeks of the legislative session. Additional training is available upon request. Class schedules will be mailed to legislators prior to the beginning of the session, with a request that they call early to sign up for training and a reminder to bring laptops to the classes.

*Staff Contact: Glenn Harris*

## Legislative Audits Report

Legislative Audits recently released a financial procedures report for the **Idaho Military** that includes two findings and recommendations. The first finding reveals insufficient accounting procedures to ensure good internal control and accurate financial information. The division should improve accounting procedures requiring all employees to sign time sheets, complying with travel policies and regulations, providing accurate information (used to compile statewide financial reports) to the State Controller, recording revenue expenditures correctly, and making any required changes to federal agreements to ensure receipt of available federal funds.

The second issue found that some information technology (IT) staff are directed and monitored by program personnel, not IT management. As a result, it is difficult for the division's chief technology officer to develop policies and procedures and to direct and monitor IT operations to ensure that management directives are followed. The report suggests the division reevaluate the organizational structure of its IT section. The report also recommends that the division establish formal written policies to identify risk areas, prioritize projects, modify or correct current applications, document program applications developed by members of its staff and ensure that computer operations are secure.

On November 24, the fiscal year 2004 *Comprehensive Annual Financial Report (CAFR)* for the state of Idaho was completed through the joint efforts of Legislative Audits and the State Controller's Office. The Controller's Office should have bound copies available by the end of December.

*Staff Contact: Ray Ineck*

The fiscal year 2004 *Comprehensive Annual Financial Report (CAFR)* for the state of Idaho was completed in November through the joint efforts of Legislative Audits and the State Controller's Office, where report copies are available.

## OPE Releases Strategic Planning Report

The Office of Performance Evaluations (OPE) released a report on the state's strategic planning and performance measurement to the Joint Legislative Oversight Committee (JLOC) on December 3, 2004. The report found that information about state agency performance is generally not useful to the Legislature and is not meeting the intent of legislation passed in 1993.

Legislators indicated that agencies often do not report the most useful types of information, expressed concerns about the quality of the information reported, and said the information competed with volumes of other information provided to them. In turn, agency officials reported they generally do not receive input or feedback from legislators on the performance information they report.

The report provides five recommendations to improve information about state agency performance. One recommendation proposes establishing a process for agencies to present their performance information to legislative committees each session so the Legislature has a formal role in reviewing the information submitted and providing feedback on its usefulness. Another recommendation suggests that agencies be required to limit the number of performance measures to a manageable number of key indicators, provide benchmarks (or performance targets) for each measure, include written explanations for results that are not self-explanatory, and take steps to ensure the quality of data. Other recommendations included suggestions for training and strengthening the process to ensure data quality.

The full report is available on OPE's Web site at [www.idaho.gov/ope](http://www.idaho.gov/ope). Hard copies of the report can be obtained by calling the office at 208-334-3880.

*Staff Contact: Rakesh Mohan*



## Proposed Administrative Rules

### Administration, Department of

38.06.01 Idaho Emergency Communications Commission

### Building Safety, Division of

07.03.06 Use of the International Building Code

### Environmental Quality, Department of

58.01.01 Control of Air Pollution/Pending & Temp. Rule

58.01.08 Public Drinking Water Systems/Pending & Temp.

### Idaho State Police

11.02.01 Idaho State Brand Board/Increases in Cattle Fees

### Occupational Licenses, Bureau of

24.28.01 Rules of Real Estate Appraiser Board

### Transportation Department, Idaho

39.02.41 Provisions Applicable to Fees for Services

39.03.11 Over-legal Permittee Responsibility/Travel Restrict

*Staff Contact: Charmi Arregui*

## New to the Legislative Reference Library

### CRIME AND TERRORISM

**Cybercrime Against Businesses: Pilot Test Results, 2001 Computer Security Survey.** U.S. Department of Justice, 2004. (364.168 U55 2004)

**Drugs -- An International Threat: State Consequences, State Strategies.** Robert A. Babbage, Jr. Council of State Governments, 1998. (363.45 B33 1998)

**Managing Terrorism's Consequences: Legal Issues.** Barry Kellman. National Memorial Institute for the Prevention of Terrorism, 2002. (363.32 K45 2002)

**State Official's Guide to Homeland Security.** Chad S. Foster. Council of State Governments, 2002. (363.32 F67 2002)

### EDUCATION

**College Affordability.** Christine Walton. National Conference of State Legislatures, 2004. (378.3 W35 2004)

**Coordinating Early Childhood Systems: A Look at Three States.** Julie A. Poppe and Scott Groginsky. National Conference of State Legislatures, 2004. (372.21 P67 2004)

**Hispanic Serving Institutions: Statistical Trends from 1990 to 1999.** Christina Stearns and Satoshi Watanabe. U.S. Department of Education, 2002. (378.19829 S84 2002)

**Measuring Up.** The National Center for Public Policy and Higher Education, 2004. (378.1 M43 2004)

**With Diploma in Hand: Hispanic High School Seniors Talk About Their Future.** John Immenwahr. Public Agenda, 2003. (371.82 I46 2003)

### HEALTH

**Quality in Children's Health Care.** Tara Straw and Michelle Herman. National Conference of State Legislatures, 2004. (362.104252 MISC 2004)

**State Children's Health Insurance Program Chartbook** (CD-ROM format). National Conference of State Legislatures, 2003. (362.104252 N38 2003)

**State Options for Expanding Health Care Access.** Barbara Yorndorf, Laura Tobler, and Leah Oliver. National Conference of State Legislatures, 2004. (368.382 Y66 2004)

### IMMIGRATION

**Immigrants to Citizens: A Role for Citizen Legislators.** Ann Morse and Aida Orgocka. National Conference of State Legislatures, 2004. (325.73 M67 2004)

### LEGISLATURES

**Beyond the Election: Connecting to the Public.** National Conference of State Legislatures, 2003. (328.331 N38 2003)

**Heavy Lifting: The Job of the American Legislature.** Alan Rosenthal. CQ Press, 2004. (328.73 R67 2004)

**Legislating for Results.** National Conference of State Legislatures, 2003. (328.3 N38 2003)

**Legislatures of the Future: Implications of Change** (A Report of the Task Force on Legislature of the Future of the Legislative Staff Coordinating Committee). National Conference of State Legislatures, 2000. (328.3 N38 2000)

**Making Results-Based State Government Work.** Blaine Liner et al. The Urban Institute, 2001. (352.3 L56 2001)

**NCSL's Guide to Leaders and Legislatures 2004.** National Conference of State Legislatures, 2004. (328.3 N38 2004)

### NATIVE AMERICANS

**American Indian Law in a Nutshell.** William C. Canby, Jr. West Publishing Company, 2004. (970.5 C36 2004)

### PHYSICIANS

**Medical Malpractice Crisis. Trends Alert: Critical Information for State Decision-Makers.** Council of State Governments, 2003. (368.5642 C68 2003)

**Practice Location of Physician Graduates: Do States Function as Markets?** Tim Henderson et al. National Conference of State Legislatures, 2003. (610.69 H46 2003)

### TAXES

**A Guide to Property Taxes: The Role of Property Taxes in State and Local Finances.** National Conference of State Legislatures, 2004. (336.22 N38 2004)

**New Realities in State Finance.** Ronald K. Snell. National Conference of State Legislatures, 2004. (336.201373 S64 2004)

*Staff Contact: Kristin Ford*



*Wishing you a happy holiday season ~~ the staff of the Legislative Services Office*

## Legislative Perspective

*An Internet Newsletter —*

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